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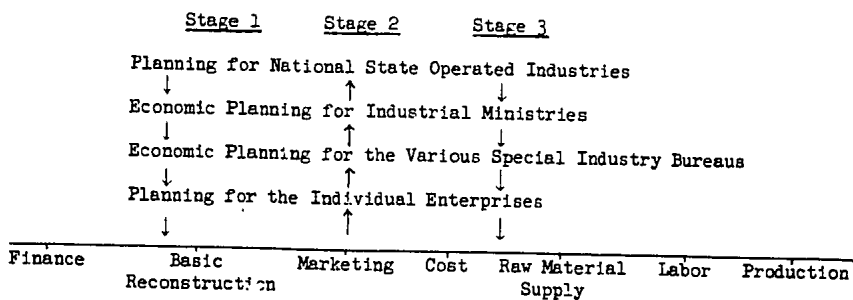
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BASIC PLANNING SYSTEM FOR STATE-OPERATED
 INDUSTRIAL ENTERPRISES IN CHINA

Since the production facilities of the nation have become the property of the people, it is vitally important that complete and detailed plans be drawn up so that industry can fulfill its role in the over-all economy of the nation. This sort of planning is completely new but it is necessary; therefore, a study of planning procedures and the establishment of several levels of planning work is the duty of our top men in industrial management.

A. Structural Organization of Planning Work

The following chart shows the organization of planning work:



Planning can be divided into three stages, as follows:

Stage One is the transmittal of directives and requirements of the higher planning group down to the lower units. To draw up an organized plan on a nationwide scale, the central planning bureau sends the directives and requirements to all ministries concerned. The directives are thus transmitted in turn to each pertinent subordinate unit.

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Stage Two is the reverse of Stage One. Each subordinate unit draws up its plans and submits them to the group immediately superior. This group combines the plans of its subordinate units and presents the combined plan to the next higher group.

Stage Three is the transmittal of orders and proclamations from the highest to the lowest unit concerned. For example, after having approved the combined plans of all the agencies, the Central People's Government sends these plans out as orders which are binding on all agencies down to and including individual enterprises.

From this we can see that the individual enterprises are the basic units putting national plans into operation. For this reason plans on this level must be careful and realistic, and the enforcement of orders at any level must be absolute.

B. Factors in Industrial Economic Planning

Over-all industrial economic planning consists of seven major factors. It includes all the production and reconstruction features of the entire economy. These factors are as follows:

1. Production

Production planning is the heart of an over-all plan and must be fixed before the other parts of the plan can be taken into consideration. Production planning includes techniques and quotas of production, utilization of productive installations, type and quality of production items, monthly and quarterly production figures, and techniques for handling completed products.

2. Labor

In any production planning, labor planning is one of the first considerations. It is impossible to devise over-all production planning in which strict attention is not paid to the organization of labor and the increase of labor productivity. This planning consists of fixing quotas for labor productivity, fixing working hours for the laborers, wage planning, classification and changes in workers and wages, and arrangements of workers benefits.

3. Raw Material Supply

This is the material basis for over-all production planning. Raw material supply includes quotas for raw material consumption in unit production, scheduling of raw material supply determination of necessary amounts of secondary materials reserve, fixing of supply of semifinished products, fixing of amounts of fuel, electricity, and water, arranging for the supply of tools and machinery, and planning on the source of supply for materials.

4. Cost

Cost planning points out how to organize labor, how to utilize productive power, and how to fulfill the actual conditions of the production goals. It includes planning the standard amounts per production unit, the expenditures for materials and wages, expenditures for secondary materials, fuels, and utilities, determining property depreciation, determining responsibility for indirect expenses, and fixing the planned cost for the unit of production. Cost planning is a general expression of the production plan, the labor plan, and the plan for supply of raw materials. For this reason, rise or fall of the planned cost is an indication of the production achievements of a given industry. Thus there is some justification in applying the term of general production planning to the combined production, labor, and raw material supply plans.

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5. Marketing

This is a blueprint for selling the item produced. It includes the categorization of items already produced, determination of their amounts and prices, attaining a balance between production and sales, planning the coordinated marketing of the commercial item, and planning the receipts and surpluses of the industry.

6. Basic Reconstruction

This includes all the important features of the national industrial economic planning except those aspects of the plan which have already been enumerated above. Included in the scope of basic reconstruction is any form of construction which can increase productive power, whether it be new construction, recovery of old construction, improvement, or expansion of existing construction. The first items under this form of planning are a full listing of all engineering projects and their budgets, detailed contents and progress plans of all engineering, direct and indirect salaries and wages, requirements for major and secondary materials, and planning for other indirect expenses.

7. Finance

This is the over-all budget connected with production and basic reconstruction. It expresses the efficiency of production as well as the receipts, expenditures, and results of basic reconstruction. This planning includes production receipts and disbursements, receipts from sales, production profits, source and requirements for circulating capital, budgeting of fund expenditures, and scheduled payments and sources for basic reconstruction investments. In this manner a general plan is drawn up for the financial receipts and expenditures.

C. Methods and Procedures for State-Operated Industrial Enterprises

First, the actual formulation of the plan is not as a wordy report but as an orderly and connected form proceeding from step to step. Plans for the individual enterprises are filled in on charts used by the enterprises. These plans are then transmitted to the various bureaus of special enterprises. Next, each bureau draws up an inclusive plan based on an analysis of these plans from the individual enterprises. These inclusive plans are then forwarded to the ministries. There the plans must pass examination and receive the approval of the planning office of the ministry and of any ministry concerned. The result is drawn up as the comprehensive plan for the ministry.

The ministry plan goes to the Committee of Finance and Economics where the Central Planning Bureau draws up the National Economic Plan for State-Operated Enterprises. The plans drawn up at each stage of this process are entered on forms drawn up by the immediately superior group based on all the requirements of that group plus the requirements and regulations of all the organizations higher in the scale. It can thus be seen that the plans of the individual enterprises are drawn up on the basis of the over-all plans of the ministries.

Before formulating a plan, each industry must do the following things:

1. Set up Technical Rules and Regulations

Regulations are to be drawn up concerning each production unit within the enterprise, exact working schedules based on the equipment and the work requirements, quality and quantity requirements of raw materials, semifinished goods, and finished products, and the various items to be considered important in the operating procedure. These rules and regulations become the production orders of the worker and are the important content in his study of his work. With this as a basis, it will be possible to eliminate the biases arising from the production competitions and the drives for new records and new quotas.

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2. Determine Technical Production Quotas Through Analysis of All Production Indexes

In this context production index shall refer to calculations and comparisons made on the equipment capacity, power, working time, production rate, consumption, and quality requirements of all the related industries. Calculation of the production index includes the following steps.

a. Technical Economic Index. The highest standard shall be determined by an engineering calculation of the productive power and the possible potential of all equipment.

b. Working Time Index. The apparent working time index is derived by subtracting machine repair time and idle periods from calendar time. Actual working time is derived by subtracting loading and unloading time from apparent working time. The object of such calculations is to derive methods for increasing the ratio of actual working time to calendar time.

c. Index of Production Equipment Utilization. This is a calculation of production efficiency on the basis of production equipment potential and work achievement.

d. Labor Index. This is a calculation of the number of workers necessary for each unit of production equipment and the amount of material needed per worker. It also shows the stage of mechanization of the total labor force.

e. Consumption Index. The consumption rate of each unit of production is calculated on the basis of the over-all consumption rate. This will include the consumption of raw materials, secondary materials, fuel, electric power, water, steam, and labor. It will provide comparative figures on each working section and on each production unit.

f. Quality Index. The fixed quality of production items will be based on international standards and national legal standards as well as chemical and physical analyses of materials and items. A set ratio of rejects will be determined. Statistical comparisons will be made chronologically and in terms of the individual sections.

On the basis of the above indexes it is possible to compute the technical economic quotas.

3. Formulating Plans for Individual Enterprise on Basis of Technical Economic Quotas

The sum total of the quotas listed above is the technical economic quota. This is a legal standard. After fixing these quotas, each enterprise must forward them to the higher organs for approval. Enterprise plans are formulated on the basis of these quotas.

D. Examination and Supervision of Execution of Plan

Each level in the planning process is bound not merely to formulate plans but also to oversee the execution of the plans. Strict attention must be paid to progress in handling the plan by the masses to difficulties and fluctuations to changes and corrections in the plan, and to scheduled progress reports. In this way assistance may be given to the units carrying out the plans. During the operation of the plan every effort must be made to increase the activities of the responsible personnel, to improve their understanding of the purposes of the plan, and to stimulate them to higher goals and new records.

The specific points to be enforced and inspected are (1) an efficient bookkeeping system and (2) a regular inspection system. Actually, an inspection

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system can do no more than make up the deficiencies of the bookkeeping system and must at all times rely on the bookkeeping system. An efficient bookkeeping system starts in the smallest section and passes up through the bookkeeping units of all levels. It keeps close tabs on all the activities and reports them to the higher levels in collated form. All units must adhere to the bookkeeping requirements and be on time in the handing of the information required. They must also ask questions and make observations which can give the higher levels a true picture of conditions existing on lower levels and permit a more rapid adjustment to changing situations.

The methods described here apply only to state-operated enterprises. There are still a great number of private enterprises and even more agricultural producers who cannot yet institute such a system. However, complete absence of such a system would lead to confusion, blind competition, and other practices harmful to the people's economy. Therefore, it is important that we call a number of conferences to increase the cooperation between public and private enterprises and to strengthen the government leadership over the private and cooperative aspects of the national economy. This will facilitate national planning and permit all economic activity to fit more closely into the requirements for national economic reconstruction.

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